

CDCI ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

PSB Financial Corporation

Point of Contact:	Clay Abington	RSSD: (For Bank Holding Companies)	939753
UST Sequence Number:	785	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	9,270,000	FDIC Certificate Number: (For Depository Institutions)	8801
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	February 27, 2009	City:	Many
Date Repaid ¹ :	N/A	State:	Louisiana

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

Grew loans \$21 million in 2010.

☒ **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

Nonfarm/nonresidential real estate increased \$10.2 million, residential real estate increased 3.7 million, construction real estate increased \$2.5 million, agriculture loans increased \$2.4 million, commercial/industrial loans increased 2.2 million and consumer loans increased \$1.7 million.

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☒ **Increase securities purchased (ABS, MBS, etc.).**

Portfolio increased \$11.8 million primarily from purchase of CMO/REMICs.

☐ **Make other investments.**

☐ **Increase reserves for non-performing assets.**

☒ **Reduce borrowings.**

Holding company debt decreased \$700 thousand and Bank borrowings from Federal Home Loan Bank decreased \$1.1 million.

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☐ Increase charge-offs.

☐ Purchase another financial institution or purchase assets from another financial institution.

☐ Held as non-leveraged increase to total capital.

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

Peoples State Bank serves mostly rural low to moderate income level families and small businesses. These families and small businesses depend greatly upon Peoples State Bank and have since 1913. While economically speaking the markets served have been fortunate as compared to other parts of the nation, there still exists a great deal of uncertainty. Timber is a big part of the local economy served by Peoples State Bank. Plant closures have occurred in some parts of Louisiana. While no plant closures have occurred in our market area the risk is still high primarily due to the nationwide decline in housing, construction, and shipping cardboard. In addition the Poultry Industry is another big part of the local economy. Pilgrims Pride filed for bankruptcy protection. Peoples State Bank has a significant exposure in the poultry industry. These loans are directly related to the financial health of Pilgrims Pride. Pilgrims Pride's financial position has continued to improve however they have yet to emerge from bankruptcy. One of the bank's market is in the NW part of Caddo Parish. It was announced last year that GM will be closing their Hummer and small truck plant in Shreveport in 2012. In the interim, while the economy continues to improve, the CDCI funds have provided additional financial stability for Peoples State Bank, its customers and for the communities the bank serves.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.